DEPARTMENT OF HEALTH AND HUMAN SERVICES
HEALTH CARE FINANCING ADMINISTRATION

FORM APPROVED
OMB NO. 0938-0193

TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL

FOR: HEALTH CARE FINANCING ADMINISTRATION

1. TRANSMITTAL NUMBER: **01-017**

2. STATE: Washington

3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID)

TO: REGIONAL ADMINISTRATOR
HEALTH CARE FINANCING ADMINISTRATION
DEPARTMENT OF HEALTH AND HUMAN SERVICES

[redacted] SEP 19 2001

4. PROPOSED EFFECTIVE DATE
July 1, 2001

5. TYPE OF PLAN MATERIAL *(Check One)*:

☐ NEW STATE PLAN ☐ AMENDMENT TO BE CONSIDERED AS NEW PLAN ☒ AMENDMENT

COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT *(Separate Transmittal for each amendment)*

6. FEDERAL STATUTE/REGULATION CITATION:

7. FEDERAL BUDGET IMPACT:
a. FFY 2001 $ 0
b. FFY 2002 $ 0

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:

Attachment 4.19-A
Part II
Pages 1 through 8

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT *(If Applicable)*:

Attachment 4.19-A
Part II
Pages 1 through 8

10. SUBJECT OF AMENDMENT:

Mental Health Rates and Methods

11. GOVERNOR'S REVIEW *(Check One)*:
☐ GOVERNOR'S OFFICE REPORTED NO COMMENT
☐ COMMENTS OF GOVERNOR'S OFFICE ENCLOSED
☐ NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL
☒ OTHER, AS SPECIFIED: Exempt

12. SIGNATURE OF STATE AGENCY OFFICIAL:
Dennis B Braddock for

13. TYPED NAME:
DENNIS BRADDOCK

14. TITLE:
Secretary

15. DATE SUBMITTED: 9/14/01

16. RETURN TO:
Department of Social and Health Services
Medical Assistance Administration
623 8th St SE MS: 45500
Olympia, WA 98504-5500

FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED: SEP 19 2001

18. DATE APPROVED: DEC 18 2001

PLAN APPROVED – ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL: JUL 1 2001

20. SIGNATURE OF REGIONAL OFFICIAL: /S/

21. TYPED NAME: Teresa L. TRIMBLE

22. TITLE: ASSOCIATE REGIONAL ADMINISTRATOR
DIVISION OF MEDICAID AND STATE OPERATIONS

23. REMARKS:

POSTMARKED: 9/18 (DATE) Olympia (CITY/STATE)

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT
State: Washington

PART II – METHODS AND STANDARDS FOR ESTABLISHING PAYMENTS FOR PSHYCHIATRIC INPATIENT SERVICES PROVIDED IN HOSPITALS OPERATED BY THE STATE OF WASHINGTON.

STATE PSYCHIATRIC HOSPITALS FOR PATIENTS UNDER AGE 21 AND OVER AGE 65

The State of Washington's Department of Social and Health Services (Department) through its Mental Health Division (Division) established systems for reimbursement of Medicaid inpatient psychiatric hospital services provided to eligible Medicaid patients under age 21 and over age 65 in state operated psychiatric hospitals.

The state-operated psychiatric hospitals provide inpatient acute psychiatric services and special hospital services addressing a variety of post acute psychiatric inpatient acuity levels for patients admitted to geriatric, forensic, and adult units. Special hospital programs addressing various acuity levels may include, but are not limited to inpatient restorative / habilitative / rehabilitative, intense psychosocial, transition or hospital outpatient services. A separate cost entity, or distinct program cost center is established within each state hospital geriatric, forensic and adult units for each of these special hospital programs. Acute psychiatric and special programs are services as described by Medicare.

The state hospitals are JCAHO accredited and Medicare certified inpatient acute psychiatric hospitals including the forensic units. The special hospital programs are established with the hospital surveys for accreditation and certification.

In order to meet changing demand for services, the division may add special programs by submitting a state plan amendment specifying the covered service and method and standards for payment to the state psychiatric hospitals.

This part describes the reimbursement system for payment for these services.

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT
State: Washington

INTERIM RATE SETTING

At least annually, the division will establish a Medicaid per diem rate and ancillary fee schedules for each state psychiatric hospital.

Interim payments are made to the state psychiatric hospitals based on charges to the general public for services delivered by the state hospitals. Recipient patient participation identified at eligibility determination is subtracted from aggregate monthly hospital charges and the reduced sum is paid to the hospitals.

PER DIEM
Computation of per diem payment rates for each of the adult psychiatric hospitals require the collection and preparation of the following data elements:

A. First ten months of the current fiscal years expenditures for each hospital reported in the State's financial records. The first ten months expenditures are annualized to form the base line hospital costs. A spreadsheet is developed to cross walk the hospital cost centers from the state accounting records to the cost centers used to calculate the annual Medicare cost report.

B. The baseline expenditure level is adjusted, based on the State's appropriated budget ensuing fiscal year. Add on adjustments are:
    1. Salaries and Benefits increase as appropriated by the State's legislators.
    2. All costs used to set the hospitals' room and board rates will be adjusted for economic trends and conditions. Those costs specifically addressed in the biennial appropriations act will be adjusted by the factor or factors used to set allotments. Costs not addressed in the biennial appropriations act will be adjusted by the most current annual unadjusted percent change in the Consumer Price Index for All Urban Consumers (CPI-U) as published by the United States Department of Labor, Bureau of Labor and Statistics. CPI-U will be applied to costs by

the appropriate expenditure category, commodity or service group factor. http://stats.bls.gov/news.release/cpi.t01.htm

- Some cost center maybe adjusted above the general inflation factor based on consistently higher inflation indicators (i.e., Medical, pharmacy and utility costs).

3. Budgeted legislative changes for program, and other legislative adjustments.
4. The department accounting records provide capital depreciation, interest expenditure data and moveable equipment depreciation, which are added to the baseline work sheet.

C. The adjusted baseline expenditure level is entered into the prior years Medicare cost report (HCFA 2552-96) software. The Medicare cost report worksheets A-6, reclassifications, A-8, adjustment to expenditures, A-8-1, related organization including department wide cost allocations (home office cost), A-8-2, provider based physician adjustment and B-1, cost allocation-statistical basis are all updated with the most current data available. If current data is not available the statistics are used from the prior years Medicare cost report.

D. The hospital patient census for the first ten months of the current fiscal year is annualized.

E. The cost report is calculated. The appropriate program cost center is divided by the patient census related to the program to arrive at the per diem rate.

Payment is based on a single daily room & board Per Diem Rate for acute psychiatric and special hospital services in the state hospitals.

Title XIX patient days include therapeutic leave days, which are a planned and medically authorized period of absence from the hospital not exceeding 7 consecutive days.

Ancillary fee schedules are established from either available state Medicaid fee schedules or HCFA schedules and adjusted to reflect each hospital cost of

operating each ancillary department. Ancillary schedules are developed where service volume is high enough is to warrant a separate department. Remaining ancillary services are bundled in the per diem rate. The mix of ancillary services included or distinct from the per diem cost may be different at each hospital.

RETROSPECTIVE SETTLEMENT

This section describes the methodology used for retrospective settlement for state psychiatric hospitals services for Medicaid per diem reimbursement.

Interim settlements are made upon the provider's completion of the Medicare cost report for each fiscal year for each state hospital. Interim settlement is made by comparing total interim payments to total allowable cost computed from the Medicare cost report. If total allowable cost exceeds total interim payments, additional payment is made to the hospital. If total interim payments exceed total allowable cost, recovery of excess interim payments is made.

Final Settlements are made upon the Medicare intermediary's determination of total allowable Medicare costs. If total allowable cost exceeds total interim payments additional payment is made to the hospital. If total interim payments exceed total allowable cost, recovery of excess interim payments is made. Final settlement will be adjusted for all prior interim settlements and all subsequent adjustments made due to successful appeals to Medicare Intermediary determinations.

DISPROPORTIONATE SHARE PAYMENTS

The Medicaid reimbursement system takes into account hospitals serving a disproportionate number of low-income patients with special needs by making payment adjustments for eligible hospitals.

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT
State: Washington

1. A state psychiatric hospital will be deemed eligible for disproportionate share hospital (DSH) payment adjustment if its Medicaid Inpatient day utilization is at least one percent and if:

   a. The hospital's Medicaid inpatient utilization rate (as defined by Section 1923 (b)(1)(A)) is at least one standard deviation above the mean state Medicaid inpatient utilization rate; or
   b. The hospital's low-income utilization rate (as defined by Section 1923 (b)(1)(B) exceeds 25 percent.

2. The DSH payment for each qualifying hospital is based on its annual net costs of uncompensated services delivered to uninsured indigent patients determined as follows:

   Annual costs of acute psychiatric and special hospital services, as described above, delivered to uninsured indigent adult, geriatric and forensic patients by each hospital in the most recent state fiscal year are determined by applying aggregate hospital per diem costs to total annual inpatient days attributable to uninsured indigent individuals. Aggregate hospital per diem costs are the quotient of dividing total operating expenses by total inpatient days reported in the Medicare cost report. Identification of uninsured indigent patients is determined from statistical sampling of department records.

   Annual net costs for uncompensated services of the qualifying state psychiatric hospital are the residual of total aggregate annual cost as defined above, reduced by total revenue received from or on behalf of such patients. This revenue is total revenue from all sources, but excluding regular Medicaid revenue, receipts of adjustments and Washington State general fund subsidies.

3. The DSH payment adjustments shall be made as described below:

a. An initial payment will be made during the second quarter of each Federal Fiscal year at 95 percent of the cost of net uncompensated services to uninsured indigent patients as defined in 2 above for the state fiscal year which ended prior to the beginning of the FFY.
b. The final payment will be made within 120 days after the end of the FFY, and will be the lessor of the residual of costs of uncompensated services delivered after subtraction of the initial payment, or;
c. The residual of the remaining balance in the Federal limit for payment adjustments to institutions for mental diseases (IMD's) for the fiscal year, after subtracting the initial installment payments paid under "a" above. In the event the final installment adjustment payment is limited by the federal IMD limit, the payment will be apportioned between the facilities based on the ratio of the facilities' initial installment payment.

JCAHO-ACCREDITED PSYCHIATRIC SERVICES FOR CHILDREN AND ADOLESCENTS AGE 17 AND UNDER.

INTRODUCTION

This section applies to the Washington State Child Study and Treatment Center (CSTC), a psychiatric hospital providing inpatient and day treatment services for children/adolescents age 17 and under. The hospital is accredited by JCAHO to provide inpatient psychiatric hospital and day treatment psychiatric services.

This hospital operates in conjunction with a full time school located at the hospital. School costs are not included in the hospital reimbursement.

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT
State: Washington

RATE SETTING – CHILD STUDY AND TREATMENT CENTER

Annually, the division will establish a prospective Medicaid per diem rate for CSTC. The rate is all inclusive of routine, physician and ancillary costs for inpatient psychiatric services.

Payments are made to CSTC based on charges to the general public for services delivered by CSTC. Recipient patient participation identified at eligibility determination is subtracted from aggregate monthly hospital charges and the reduced sum is paid to the provider.

PER DIEM

Computation of per diem payment rates for CSTC hospitals require the collection and preparation of the following data elements:

A. First ten months of the current fiscal years expenditures for each hospital reported in the State's financial records. The first ten months expenditures are annualized to form the base line hospital costs. A spreadsheet is developed to cross walk the hospital cost centers from the state accounting records to the cost centers used to calculate the annual Medicare cost report.

B. The baseline expenditure level is adjusted, based on the State's appropriated budget ensuing fiscal year. Add on adjustments are:
    1. Salaries and Benefits increase as appropriated by the State's legislators.
    2. All costs used to set the hospitals' room and board rates will be adjusted for economic trends and conditions. Those costs specifically addressed in the biennial appropriations act will be adjusted by the factor or factors used to set allotments. Costs not addressed in the biennial appropriations act will be adjusted by the most current annual unadjusted percent change in the Consumer Price Index for All Urban Consumers (CPI-U) as published by the United States Department of Labor, Bureau of Labor and Statistics. CPI-U will be applied to costs by

the appropriate expenditure category, commodity or service group factor. http://stats.bls.gov/news.release/cpi.t01.htm

- Some cost center maybe adjusted above the general inflation factor based on consistently higher inflation indicators (i.e., Medical, pharmacy and utility costs).

3. Budgeted legislative changes for pension rate, L&I rate, workers compensation, social security, work load changes, program changes, and other legislative adjustments.
4. The department accounting records provide capital depreciation, interest expenditure data and moveable equipment depreciation, which are added to the baseline work sheet. The adjusted baseline expenditure level is entered into the prior years Medicare cost report (HCFA 2552-96) software. The Medicare cost report worksheets A-6, reclassifications, A-8, adjustment to expenditures, A-8-1, related organization including department wide cost allocations (home office cost), A-8-2, provider based physician adjustment and B-1, cost allocation-statistical basis are all updated with the most current data available. If current data is not available the statistics are used from the prior years Medicare cost report.

C. The hospital patient census for the first ten months of the current fiscal year is annualized.

The cost report is calculated. The appropriate program cost center is divided by the patient census related to the program to arrive at the per diem rate.

COST SETTLEMENT

Rates established are prospective; no settlement is made for Medicaid payments.